

GARLAND CITY CORPORATION

FINANCIAL REPORT

JUNE 30, 2006

**GARLAND CITY CORPORATION
FINANCIAL REPORT
JUNE 30, 2006**

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INDEPENDENT AUDITORS' REPORT

To the Mayor and City Council Members
Garland City Corporation
Garland, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Garland City Corporation, Utah (the "City"), as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison of the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The supplementary Capital Project Fund statement and impact fee schedule listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as whole.

In accordance with Government Auditing Standards, we have also issued a report dated December 14, 2006, on our consideration of Garland City Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Wiggins & Co., PC

Brigham City, Utah
December 14, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Garland City, we offer this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2006. The General Fund includes governmental activities such as administration, fire and police protection, roads, parks, library, etc. The Enterprise Funds comprise utilities of water and sewer.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, and creditors a general overview of the City's finances and to demonstrate the City's accountability for the funds it receives. If you have any questions about this report or need additional information, please contact Garland City Corporation, 72 North Main, Garland, Utah, 84312.

Financial Highlights

The total net assets of Garland City Corporation increased by \$223,199 totaling \$3,257,635. The governmental activities' net assets increased by \$110,008 and the business-type activities' net assets increased by \$113,191.

The total net assets of Garland City Corporation are \$3,257,635, and are made up of \$1,240,468 in capital assets (net of related debt) such as land, infrastructure, buildings and improvements and machinery and equipment. The remaining net assets total \$2,017,167. Of this amount, \$1,588,281 is unrestricted. The remaining \$428,886 is restricted for such items as debt service reserves, capital projects, and impact fees.

Total long-term liabilities of the City decreased by \$18,185. During 2006, the City retired \$9,840 in water revenue bonds and \$11,104 in notes payable in the Water Fund. Compensated absences increased by \$2,759. The total outstanding long-term debt of the City at June 30, 2006, was \$248,974.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Garland City Corporation's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to private-sector business reporting.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. However, other non-financial factors will also need to be considered.

The statement of activities presents information showing how the City's net assets changed during the fiscal year. Regardless of the timing of related cash flows, changes in net assets are reported as soon as the underlying event occurs that gives rise to the change. Thus all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The government-wide financial statements can be found on pages 9-10 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City also uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds - These funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. These fund statements focus on how money flows into and out of these funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called the modified accrual basis of accounting, which measures cash and other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps users determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities reported in the Statement of Net Assets and the Statement of Activities and the governmental funds in a reconciliation included with the fund financial statements.

The City reports two governmental funds as major funds (as determined by generally accepted accounting principles) in the fund financial statements. The two major funds reported are the General Fund and the Capital Project Fund. The remaining governmental funds are the Redevelopment Agencies #1 and #2. Those funds are reported as nonmajor funds in the fund financial statements.

Proprietary Funds - The City maintains two enterprise funds which are proprietary in nature. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for Culinary Water and Sewer utilities. Each utility is reported as a separate enterprise fund. As determined by generally accepted accounting principles, these utility funds meet the criteria for major fund classification.

Fiduciary Funds - These funds are used to account for resources held for the benefit of parties outside the City. Fiduciary Funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the programs of the City. The accounting method used for these funds is much like that used for proprietary funds. The City has only one fiduciary fund that is reported in the financial statements, the Justice Court Agency Fund.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of the City's financial position. For Garland City Corporation, assets exceeded liabilities by \$3,257,635 at June 30, 2006.

A large portion of the City's net assets (38%) reflects its investment in capital assets (e.g. land, buildings, infrastructure, improvements, machinery and equipment), less any related debt used to acquire those assets that is outstanding at year end. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from the operations of the funds where the capital assets are recorded, since the capital assets themselves cannot be used to liquidate these liabilities.

A summary of the net assets of the City is as follows:

Governmental Activities:

	2006	2005	Total Changes
Current and other assets	\$ 1,313,315	\$ 1,215,983	\$ 97,332
Capital assets	697,094	664,593	32,501
Total assets	<u>2,010,409</u>	<u>1,880,576</u>	<u>129,833</u>
Current and other liabilities	261,502	224,929	36,573
Long-term liabilities	8,464	-	8,464
Total liabilities	<u>269,966</u>	<u>224,929</u>	<u>45,037</u>
Net assets:			
Invested in capital assets, net of related debt	697,094	664,593	32,501
Restricted	103,784	32,323	71,461
Unrestricted	939,565	933,519	6,046
Total net assets	<u>\$ 1,740,443</u>	<u>\$ 1,630,435</u>	<u>\$ 110,008</u>

Business-type activities:

	2006	2005	Total Changes
Current and other assets	\$ 994,810	\$ 897,867	\$ 96,943
Capital assets	783,884	805,125	(21,241)
Total assets	<u>1,778,694</u>	<u>1,702,992</u>	<u>75,702</u>
Current and other liabilities	20,992	37,537	(16,545)
Long-term liabilities	240,510	261,454	(20,944)
Total liabilities	<u>261,502</u>	<u>298,991</u>	<u>(37,489)</u>
Net assets:			
Invested in capital assets, net of related debt	543,374	543,671	(297)
Restricted	325,102	7,912	317,190
Unrestricted	648,716	852,418	(203,702)
Total net assets	<u>\$ 1,517,192</u>	<u>\$ 1,404,001</u>	<u>\$ 113,191</u>

The City's total net assets increased by \$223,199 as summarized below:

Governmental Activities:

	<u>2006</u>	<u>2005</u>	<u>Total Changes</u>
Revenues:			
Program revenues:			
Charges for services	\$ 240,426	\$ 196,014	\$ 44,412
Operating grants and	112,321	85,295	27,026
Capital grants and contributions	-	12,344	(12,344)
General revenues:			
Property taxes	225,699	221,114	4,585
Sales taxes	181,016	163,789	17,227
Energy taxes	84,731	70,604	14,127
Franchise taxes	2,978	-	2,978
Unrestricted investment earnings	40,983	21,786	19,197
Total revenues	<u>888,154</u>	<u>770,946</u>	<u>117,208</u>
Expenses:			
Administration	150,953	173,770	(22,817)
Public safety	335,101	328,853	6,248
Roads and public works	266,850	174,871	91,979
Parks and cemetery	25,242	67,263	(42,021)
Total expenses	<u>778,146</u>	<u>744,757</u>	<u>33,389</u>
Change in net assets	<u>\$ 110,008</u>	<u>\$ 26,189</u>	<u>\$ 83,819</u>

Business-type activities:

Revenues:			
Program revenues:			
Charges for services	\$ 518,033	\$ 362,940	\$ 155,093
Operating grants and	-	18,296	(18,296)
Capital grants and contributions	-	3,348	(3,348)
General revenues:			
Unrestricted investment earnings	38,397	20,023	18,374
Total revenues	<u>556,430</u>	<u>404,607</u>	<u>151,823</u>
Expenses:			
Water	148,048	138,268	9,780
Sewer	295,191	209,388	85,803
Total expenses	<u>443,239</u>	<u>347,656</u>	<u>95,583</u>
Change in net assets	<u>\$ 113,191</u>	<u>\$ 56,951</u>	<u>\$ 56,240</u>

The change in the City's assets is due mainly to the construction of park restrooms and upgrades to water and sewer valves. The decrease in liabilities is due to the payoff of water revenue bonds and payments on the water note payable.

The City continues to invest in infrastructure facilities such as roads, sidewalks and parks. The increase in expenditures is mainly due to road repairs and maintenance to water and sewer in the same area. The increase in operating grants is due to the use of Class C road funds for maintenance.

The increase in utility revenue is primarily due to growth which results in new connections in the City. Personnel costs increased 12% in 2006. Repairs and maintenance expenses increased 89%, primarily due to maintenance on the water and sewer systems during road repairs.

Fund Financial Analysis

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements.

At June 30, 2006, the City's governmental funds (General, Capital Projects and Redevelopment Agencies #1 and #2) reported combined fund balances of \$1,051,813. This represents an increase of \$80,265, mainly due to increases in sales tax revenue and interest earnings during fiscal year 2006.

The General Fund is the chief operating fund of the City. All activities which are not required to be accounted for in separate funds either by state statutes or local ordinance or by a desire to maintain a matching of revenues and expenditures are accounted for in this fund.

Taxes continue to be the largest source of revenue in the General Fund and represent 59% of total General Fund revenues. The largest element of taxes is property tax, representing 44% of total tax revenue and 26% of total General Fund revenues.

As stated earlier, the City maintains several Enterprise Funds to account for its business-type activities. The separate fund statements included in this report provide the same information for business-type activities as is provided in the government-wide financial statements. However, the fund statements provide much more detail. See pages 16-18 of the financial report for this information.

Budgetary Highlights

During the year, the budgets of each fund were established and then amended to account for increases in revenue and expenses. Primarily the revenue changes were to bring revenues for sales taxes, charges for services and fines into line with the year-end revenue projections. Expenses were changed to account for personnel cost increases, and repairs and maintenance increases.

Capital Asset and Debt Administration

The City's investment in capital assets for all activities at June 30, 2006, amounted to \$4,532,446. Accumulated depreciation on capital assets was \$3,051,468. Net capital assets amounted to \$1,480,978 at June 30, 2006. The investment in capital assets includes land, buildings and systems, improvements, infrastructure (roads, sidewalks, curb and gutter, etc.), and machinery and equipment. The total increase in the City's investment in capital assets during 2006 was \$164,264. Depreciation expense for 2006 was \$153,004, with \$73,203 recorded in governmental activities and \$79,801 recorded in business-type activities.

Major capital asset increases during 2006 are as follows:

- Construction of park restrooms.
- Upgrade of water and sewer valves.
- Purchase of a police vehicle.

A comparison of the capital assets of the City is as follows:

Governmental activities:

	2006	2005	Total Changes
Land	\$ 81,550	\$ 81,550	\$ -
Buildings	88,403	27,000	61,403
Improvements	235,111	233,317	1,794
Infrastructure	37,540	33,222	4,318
Machinery & equipment	648,591	610,401	38,190
	1,091,195	985,490	105,705
Less: accumulated depreciation	(394,101)	(320,898)	(73,203)
Total capital assets-governmental activities	<u>\$ 697,094</u>	<u>\$ 664,592</u>	<u>\$ 32,502</u>

Business-type activities:

Buildings	\$ 38,478	\$ 38,478	\$ -
Improvements	3,258,958	3,205,781	53,177
Machinery & equipment	143,815	138,433	5,382
	3,441,251	3,382,692	58,559
Less: accumulated depreciation	(2,657,367)	(2,577,566)	(79,801)
Total capital assets-business-type activities	<u>\$ 783,884</u>	<u>\$ 805,126</u>	<u>\$ (21,242)</u>

Additional information on the City's capital assets can be found in the notes to the financial statements in this financial report.

The City had total outstanding long-term debt as of June 30, 2006, of \$248,974.

The detail of the long-term debt accounts is as follows:

Governmental activities:

	2006	2005	Total changes
Compensated absences	<u>\$ 8,464</u>	<u>\$ 5,705</u>	<u>\$ 2,759</u>

Business-type activities:

Water Revenue bond payable	-	9,840	(9,840)
Water note payable	240,510	251,614	(11,104)
	<u>240,510</u>	<u>261,454</u>	<u>(20,944)</u>
Total Long-term Debt	<u>\$ 248,974</u>	<u>\$ 267,159</u>	<u>\$ (18,185)</u>

Additional information on the City's long-term debt can be found in the notes to the financial statements in this financial report.

GARLAND CITY CORPORATION
STATEMENT OF NET ASSETS
JUNE 30, 2006

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Total
ASSETS			
Cash and cash equivalents	\$ 975,579	\$ 623,433	\$ 1,599,012
Receivables:			
Taxes	222,294	-	222,294
Accounts	10,674	46,275	56,949
Intergovernmental	16,305		16,305
Other	984	-	984
Restricted cash and cash equivalents	87,479	325,102	412,581
Capital assets (net of accumulated depreciation):			
Land and easements	81,550	-	81,550
Buildings	68,604	26,485	95,089
Improvements	185,457	715,457	900,914
Machinery and equipment	325,914	41,942	367,856
Infrastructure	35,569	-	35,569
Total Assets	2,010,409	1,778,694	3,789,103
LIABILITIES			
Accounts payable	24,148	2,371	26,519
Accrued liabilities	29,288	2,121	31,409
Deposits and retainage payable	-	16,500	16,500
Deferred revenue	208,066	-	208,066
Compensated absences	8,464	-	8,464
Noncurrent liabilities - due within one year	-	11,671	11,671
Noncurrent liabilities - due in more than one year	-	228,839	228,839
Total Liabilities	269,966	261,502	531,468
NET ASSETS			
Investment in capital assets, net of debt	697,094	543,374	1,240,468
Restricted for:			
Impact fees	26,340	32,978	59,318
Class C road funds	77,444	-	77,444
Capital projects	-	292,124	292,124
Unrestricted	939,565	648,716	1,588,281
Total Net Assets	\$ 1,740,443	\$ 1,517,192	\$ 3,257,635

The notes to the financial statements are an integral part of this statement.

**GARLAND CITY CORPORATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006**

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-type Activities	Total
FUNCTIONS/PROGRAMS							
PRIMARY GOVERNMENT							
Governmental activities:							
Administration	\$ 150,953	\$ 70,960	\$ 32,265	\$ -	\$ (47,728)	\$ -	\$ (47,728)
Public safety	335,101	86,279	2,920	-	(245,902)	-	(245,902)
Roads and public works	266,850	71,726	77,136	-	(117,988)	-	(117,988)
Parks and cemetery	25,242	11,461	-	-	(13,781)	-	(13,781)
Total governmental activities	778,146	240,426	112,321	-	(425,399)	-	(425,399)
Business-type activities:							
Water	160,344	245,341	-	-	-	84,997	84,997
Sewer	282,895	272,692	-	-	-	(10,203)	(10,203)
Total business-type activities	443,239	518,033	-	-	-	74,794	74,794
Total primary government	\$ 1,221,385	\$ 758,459	\$ 112,321	\$ -	(425,399)	74,794	(350,605)
General revenues							
Property taxes					225,699	-	225,699
Sales taxes					181,016	-	181,016
Energy tax					84,731	-	84,731
Franchise tax					2,978	-	2,978
Unrestricted investment earnings					40,983	38,397	79,380
Transfers					-	-	-
Total general revenues and transfers					535,407	38,397	573,804
Change in net assets					110,008	113,191	223,199
Net assets - beginning					1,630,435	1,404,001	3,034,436
Net assets - ending					\$ 1,740,443	\$ 1,517,192	\$ 3,257,635

The notes to the financial statements are an integral part of this statement.

GARLAND CITY CORPORATION
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006

	General	Capital Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 15,471	\$ 907,656	\$ 52,452	\$ 975,579
Receivables:				
Taxes	209,494	-	12,800	222,294
Accounts	10,674	-	-	10,674
Intergovernmental	16,305	-	-	16,305
Other	984	-	-	984
Restricted cash and cash equivalents	87,479	-	-	87,479
Total assets	<u>\$ 340,407</u>	<u>\$ 907,656</u>	<u>\$ 65,252</u>	<u>\$ 1,313,315</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 10,813	\$ 13,335	\$ -	\$ 24,148
Accrued payroll liabilities	29,288	-	-	29,288
Deferred revenue	195,266	-	12,800	208,066
Total liabilities	<u>235,367</u>	<u>13,335</u>	<u>12,800</u>	<u>261,502</u>
Fund balances				
Reserved for Class C roads	77,444	-	-	77,444
Reserved for impact fees	26,340	-	-	26,340
Unreserved:				
Designated	-	-	52,452	52,452
Undesignated	1,256	894,321	-	895,577
Total fund balances	<u>105,040</u>	<u>894,321</u>	<u>52,452</u>	<u>1,051,813</u>
Total liabilities and fund balances	<u>\$ 340,407</u>	<u>\$ 907,656</u>	<u>\$ 65,252</u>	<u>\$ 1,313,315</u>

The notes to the financial statements are an integral part of this statement.

GARLAND CITY CORPORATION
RECONCILIATION OF THE BALANCE SHEET-GOVERNMENTAL FUNDS TO THE STATEMENT OF
NET ASSETS
JUNE 30, 2006

Total fund balances-governmental funds \$ 1,051,813

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. These assets consist of:

Land	\$	81,550	
Buildings		88,403	
Improvements		235,111	
Machinery and equipment		648,591	
Infrastructure		37,540	
Accumulated depreciation		<u>(394,101)</u>	
Total capital assets			697,094

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Compensated absences	<u>(8,464)</u>		
Total liabilities			<u>(8,464)</u>

Total net assets-governmental funds \$ 1,740,443

The notes to the financial statements are an integral part of this statement.

GARLAND CITY CORPORATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	General	Capital Project	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Taxes:				
Property	\$ 210,212	\$ -	\$ 15,487	\$ 225,699
Sales	181,016	-	-	181,016
Energy	84,731	-	-	84,731
Franchise	2,978	-	-	2,978
Licenses and permits	24,605	-	-	24,605
Intergovernmental	97,950	-	-	97,950
Charges for services	156,760	-	-	156,760
Fines	54,950	-	-	54,950
Miscellaneous	4,472	-	-	4,472
Investment earnings	6,402	32,956	1,625	40,983
Total revenues	<u>824,076</u>	<u>32,956</u>	<u>17,112</u>	<u>874,144</u>
EXPENDITURES				
Current:				
Administration	147,707	-	-	147,707
Public safety	355,445	-	-	355,445
Roads and public works	170,284	66,710	-	236,994
Parks and cemetery	67,744	-	-	67,744
Total expenditures	<u>741,180</u>	<u>66,710</u>	<u>-</u>	<u>807,890</u>
Excess (deficiency) of revenues over (under) expenditures	<u>82,896</u>	<u>(33,754)</u>	<u>17,112</u>	<u>66,254</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	109,384	-	109,384
Transfers out	(109,384)	-	-	(109,384)
Impact fees	14,011	-	-	14,011
Total other financing sources and uses	<u>(95,373)</u>	<u>109,384</u>	<u>-</u>	<u>14,011</u>
Net change in fund balances	<u>(12,477)</u>	<u>75,630</u>	<u>17,112</u>	<u>80,265</u>
Fund balances - beginning	117,517	818,691	35,340	971,548
Fund balances - ending	<u>\$ 105,040</u>	<u>\$ 894,321</u>	<u>\$ 52,452</u>	<u>\$ 1,051,813</u>

The notes to the financial statements are an integral part of this statement.

**GARLAND CITY CORPORATION
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE-GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006**

Net change in fund balances - total governmental funds \$ 80,265

Amounts reported for governmental activities in the statement of activities
are different because:

Governmental funds report capital outlays as expenditures. However, in
the statement of activities the cost of those assets is allocated over their
estimated useful lives and reported as depreciation expense. This is the
amount by which capital outlays (\$105,705) exceeded depreciation
(\$73,203) during the period. 32,502

The liability for compensated absences is not recorded in the
governmental funds, but is reported in the statement of assets. This is the
current year change in the liability, reported as expense in the statement of
activities. (2,759)

Change in net assets of governmental activities \$ 110,008

The notes to the financial statements are an integral part of this statement.

GARLAND CITY CORPORATION
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes:				
Property	\$ 211,913	\$ 216,021	\$ 210,212	\$ (5,809)
Sales	139,401	174,881	181,016	6,135
Other	54,000	81,006	87,709	6,703
Licenses and permits	11,200	24,605	24,605	-
Intergovernmental	116,400	95,620	97,950	2,330
Charges for services	68,082	155,894	156,760	866
Fines	20,000	47,856	54,950	7,094
Miscellaneous	6,868	17,120	4,472	(12,648)
Investment earnings	5,000	8,613	6,402	(2,211)
Total revenues	<u>632,864</u>	<u>821,616</u>	<u>824,076</u>	<u>2,460</u>
EXPENDITURES				
Current:				
General government	147,724	150,519	147,707	2,812
Public safety	260,802	391,105	355,445	35,660
Roads and public works	163,825	168,300	170,284	(1,984)
Parks and cemetery	49,213	82,332	67,744	14,588
Total expenditures	<u>621,564</u>	<u>792,256</u>	<u>741,180</u>	<u>51,076</u>
Excess of revenues over expenditures	<u>11,300</u>	<u>29,360</u>	<u>82,896</u>	<u>53,536</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	(11,300)	(29,817)	(109,384)	(79,567)
Proceeds from sale of fixed assets	-	-	-	-
Impact fees	-	14,065	14,011	(54)
Total other financing sources and uses	<u>(11,300)</u>	<u>(15,752)</u>	<u>(95,373)</u>	<u>(79,621)</u>
Net change in fund balances	<u>-</u>	<u>13,608</u>	<u>(12,477)</u>	<u>(26,085)</u>
Fund balances - beginning	117,517	117,517	117,517	-
Fund balances - ending	<u>\$ 117,517</u>	<u>\$ 131,125</u>	<u>\$ 105,040</u>	<u>\$ (26,085)</u>

The notes to the financial statements are an integral part of this statement.

GARLAND CITY CORPORATION
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2006

	Major Enterprise Funds		Total Enterprise Funds
	Water Fund	Sewer Fund	Funds
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 463,605	\$ 159,828	\$ 623,433
Receivables:			
Accounts	24,141	22,134	46,275
Total current assets	<u>487,746</u>	<u>181,962</u>	<u>669,708</u>
Noncurrent assets:			
Restricted cash and cash equivalents:			
System development	307,854	17,248	325,102
Capital assets:			
Buildings	38,478	-	38,478
Improvements other than buildings	2,003,455	1,255,503	3,258,958
Machinery and equipment	98,486	45,329	143,815
Accumulated depreciation	(1,571,384)	(1,085,983)	(2,657,367)
Total noncurrent assets	<u>876,889</u>	<u>232,097</u>	<u>1,108,986</u>
Total assets	<u>1,364,635</u>	<u>414,059</u>	<u>1,778,694</u>
LIABILITIES			
Current liabilities:			
Accounts payable	2,327	44	2,371
Deposits and retainage payable	16,500	-	16,500
Accrued payroll liabilities	1,165	956	2,121
Current portion note payable	11,671	-	11,671
Total current liabilities	<u>31,663</u>	<u>1,000</u>	<u>32,663</u>
Noncurrent liabilities:			
Note payable	228,839	-	228,839
Total noncurrent liabilities	<u>228,839</u>	<u>-</u>	<u>228,839</u>
Total liabilities	<u>260,502</u>	<u>1,000</u>	<u>261,502</u>
NET ASSETS			
Invested in capital assets, net of related debt	328,525	214,849	543,374
Restricted for system development	292,124	-	292,124
Restricted for impact fees	15,730	17,248	32,978
Unrestricted	467,754	180,962	648,716
Total net assets	<u>\$ 1,104,133</u>	<u>\$ 413,059</u>	<u>\$ 1,517,192</u>

The notes to the financial statements are an integral part of this statement.

GARLAND CITY CORPORATION
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	Major Enterprise Funds		Total Enterprise Funds
	Water Fund	Sewer Fund	
Operating revenues:			
Charges for sales and services	\$ 176,564	\$ 218,356	\$ 394,920
Total operating revenues	<u>176,564</u>	<u>218,356</u>	<u>394,920</u>
Operating expenses:			
Personnel related expenses	39,508	34,511	74,019
System operating expenses, including power costs	24,133	210,815	234,948
Repairs and maintenance	33,381	8,794	42,175
Depreciation	51,026	28,775	79,801
Total operating expenses	<u>148,048</u>	<u>282,895</u>	<u>430,943</u>
Operating income	<u>28,516</u>	<u>(64,539)</u>	<u>(36,023)</u>
Nonoperating revenues (expenses):			
Impact fees	9,102	15,963	25,065
Investment earnings	30,387	8,010	38,397
Interest and fiscal charges	(12,296)	-	(12,296)
Other income	59,675	38,373	98,048
Total nonoperating revenue (expenses)	<u>86,868</u>	<u>62,346</u>	<u>149,214</u>
Income before contributions and transfers	115,384	(2,193)	113,191
Transfers in	-	-	-
Transfers out	-	-	-
Change in net assets	<u>115,384</u>	<u>(2,193)</u>	<u>113,191</u>
Total net assets - beginning	988,749	415,252	1,404,001
Total net assets - ending	<u>\$ 1,104,133</u>	<u>\$ 413,059</u>	<u>\$ 1,517,192</u>

The notes to the financial statements are an integral part of this statement.

GARLAND CITY CORPORATION
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	<u>Major Enterprise Funds</u>		<u>Total Enterprise Funds</u>
	<u>Water Fund</u>	<u>Sewer Fund</u>	
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 152,423	\$ 198,478	\$ 350,901
Payments to suppliers	(41,824)	(212,826)	(254,650)
Payments to employees	(38,343)	(33,555)	(71,898)
Net cash provided (used) by operating activities	<u>72,256</u>	<u>(47,903)</u>	<u>24,353</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of capital assets	(48,572)	(9,987)	(58,559)
Receipts from impact fees	9,102	15,963	25,065
Receipts from miscellaneous	59,675	38,373	98,048
Payment on note payable	(20,944)	-	(20,944)
Interest paid on bonds and note	(12,296)	-	(12,296)
Net cash provided (used) from capital and related financing activities	<u>(13,035)</u>	<u>44,349</u>	<u>31,314</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	30,387	8,010	38,397
Net cash provided (used) from investing activities	<u>30,387</u>	<u>8,010</u>	<u>38,397</u>
Net increase (decrease) in cash and cash equivalents	89,608	4,456	94,064
Cash and cash equivalents beginning of year	681,851	172,620	854,471
Cash and cash equivalents end of year	<u>\$ 771,459</u>	<u>\$ 177,076</u>	<u>\$ 948,535</u>
Cash and cash equivalents	\$ 463,605	\$ 159,828	\$ 623,433
Restricted cash and cash equivalents	307,854	17,248	325,102
	<u>\$ 771,459</u>	<u>\$ 177,076</u>	<u>\$ 948,535</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:			
Operating income	\$ 28,516	\$ (64,539)	\$ (36,023)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization expense	51,026	28,775	79,801
Change in assets and liabilities:			
Accounts receivable	(24,141)	(19,878)	(44,019)
Prepaid expenses	19,089	22,051	41,140
Accounts payable	(3,784)	(14,312)	(18,096)
Deposits and retainage payable	1,550	-	1,550
Net cash provided by (used in) operating activities	<u>\$ 72,256</u>	<u>\$ (47,903)</u>	<u>\$ 24,353</u>

The accompanying notes are an integral part of these financial statements.

**GARLAND CITY CORPORATION
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
JUSTICE COURT AGENCY FUND
JUNE 30, 2006**

ASSETS

Cash and cash equivalents	<u>\$ 2,551</u>
Total assets	<u><u>\$ 2,551</u></u>

LIABILITIES

Due to other governments	<u>\$ 2,551</u>
Total liabilities	<u><u>\$ 2,551</u></u>

The notes to the financial statements are an integral part of this statement.

GARLAND CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City operates under a Mayor-Council form of government and provides the following services: public safety, highways and streets, water, sewer, sanitation, culture, parks, recreation, public improvements, planning and zoning, and general administrative services.

The financial statements of Garland City Corporation have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Reporting Entity

The City applies the criteria of GASB codification section 1200 to define the scope of the reporting entity. Consideration is given to various factors, including oversight and financial responsibility. Based upon the application of this criteria, the financial statements include all funds which collectively are referred to as the financial reporting entity of the City. As required by generally accepted accounting principles (GAAP), these financial statements present the government and its component units, the Garland City Redevelopment Agencies (Agencies), entities for which the government is considered to financially accountable. They are considered to be blended component units since they are governed by the City Council and are financially dependent on the City and their data is combined with data of the primary government. The agencies have a June 30 year end.

B. Government-wide and Fund Financial Statements

Government-wide Financial statements. The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees charged to external parties for goods or services.

Fund Financial Statements. Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The remaining governmental funds are combined into a single column and reported as an other (nonmajor) fund.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Government-wide Financial Statements. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

GARLAND CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The use of financial resources to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term debt are reported as a reduction of the related liability, rather than an expenditure in the government-wide financial statements.

Governmental Fund Financial Statements. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. "Measurable" means that amounts can be reasonably determined within the current period. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Property taxes are recorded when levied. Property taxes which have not been collected within 60 days of year end, and therefore do not meet the "available" criterion, are not reported as revenue until collected. Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seems certain.

Sales and excise taxes, energy taxes, and franchise taxes, are considered "measurable" and recognized as revenue when received by merchants and will be remitted to the City in time to be used to pay current obligations. Grant revenue is recognized when qualified expenditures are incurred and a contractual claim exists with the grantor agency. All other revenue items are considered to be measurable and available only when cash is received by the City.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Exceptions to this general rule include principal and interest on long-term debt as well as expenditures related to compensated absences, which are recognized when payment is due.

The City reports the following major governmental funds:

General Fund - The General Fund accounts for all activities not accounted for by other funds of the City. The principal sources of revenue for this fund are taxes, charges for services, intergovernmental revenues and impact fees.

Capital Project Fund - The Capital Project Fund is used to account for financial resources to be used for the acquisition or construction of specific projects other than those financed by proprietary funds.

The City's nonmajor governmental funds are the Redevelopment Agency Funds. These nonmajor special revenue funds account for specific revenue sources that are restricted to expenditures for specified purposes.

Proprietary Fund Financial Statements. Proprietary Funds include enterprise funds. Enterprise Funds report the activities for which a fee is charged to external users for goods or services. The financial statements of the proprietary funds are reported similar to the government-wide financial statements in that they both use the economic resources measurement focus and the accrual basis of accounting.

Proprietary Funds distinguish between operating and nonoperating revenues and expenses. Operating revenues and expenses result from providing goods and services relating to the primary operations of the proprietary fund. Other revenues and expenses are reported as nonoperating.

GARLAND CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The City reports the following major proprietary funds:

Water Fund - the Water Fund is used to account for activity related to providing culinary water services.

Sewer Fund - the Sewer Fund is used to account for activity related to providing sewer services.

Fiduciary Fund Financial Statements. The City has only one type of fiduciary fund. The Justice Court Agency Fund is used to account for assets held by the City justice court as an agent for other governments or individuals. Agency Funds are accounted for using accrual basis of accounting, but due to their custodial nature (assets equal liabilities), do not present results of operations or have a measurement focus.

D. Budgets

Budgets are legally adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for funds. All annual appropriations lapse at fiscal year end.

The City operates within the budget requirements for Cities as specified by State law. The financial reports reflect the following budgetary standards.

1. By the first regular scheduled council meeting in May, the Mayor submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. By June 15, the budget is legally enacted through passage of an ordinance.
4. The Mayor is authorized to transfer budgeted amounts within departments within the General Fund; however, any transfer of budgeted amounts between departments within the General Fund must be approved by the City Council. The City must hold a public hearing to alter the total expenditures of the General Fund.
5. Budgeted amounts are as originally adopted, or as amended by the City Council prior to June 30. Individual amendments were not material in relation to the original appropriations which were amended.

E. Cash and Cash Equivalents

Unrestricted cash balances of all funds are combined to form a pool of cash and investments which is managed by the City Recorder and Mayor in accordance with the Utah Money Management Act. Income from the investment of pooled cash is allocated based upon each fund's portion of the pool. Restricted cash consists of that portion of pooled cash that is restricted for a specific use due to constraints imposed by external parties or enabling legislation, or is cash held in trust in compliance with bond covenants, terms and conditions. When both restricted and unrestricted sources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Investments are recorded at fair value based upon quoted market prices as of June 30, 2006, except where there is no material difference between cost and fair value. The difference between the purchase price and market price when material is recorded as investment income.

GARLAND CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Cash and Cash Equivalents (Continued)

Statements of cash flows are presented for proprietary funds under the direct method. For purposes of the statements of cash flows, each fund considers all highly liquid investments with a maturity of three months or less, when purchased, to be cash equivalents.

F. Interfund transactions

Interfund transactions represent transactions between different funds within the City. In general, interfund activity has been eliminated from the government-wide financial statements in an effort to minimize the doubling-up of revenues and expenses resulting from such transactions.

G. Private-sector Standards of Accounting and Financial Reporting

The City generally applies to both the government-wide and proprietary fund statements all *Financial Accounting Standards Board (FASB) Statements and Interpretations*, APB Opinions, and Accounting Research bulletins issued on or before November 30, 1989, to the extent that those standards do not conflict with or contradict guidance of the *Governmental Accounting Standards Board (GASB)*. The City has elected not to follow private-sector guidance subsequent to that date.

H. Capital Assets

Capital assets include land, buildings, improvements other than buildings, machinery and equipment, infrastructure (roads, bridges, lighting and sidewalks) and construction in progress. These assets are reported in the government-wide financial statements in the relevant column on the Statement of Net Assets under governmental or business-type activities. Proprietary fund capital assets are also reported in the appropriate fund statements. Capital assets acquired by governmental funds are recorded as expenditures in the governmental fund financial statements. Assets purchased or constructed are generally recorded at cost. If precise cost is not available (as was the case with certain infrastructure), the asset is recorded at estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation.

When constructing capital assets, interest expense incurred relating to governmental activities is not capitalized. Interest on assets being readied for service in proprietary funds may be capitalized. No interest was capitalized during 2006.

Depreciation of all exhaustible capital assets is charged as an expense against operations for proprietary funds and is charged to the various functional expenses or business-type activities in the government-wide Statement of Activities. Accumulated depreciation is reported on proprietary fund and government-wide Statements of Net Assets. Depreciation is provided over the estimated useful lives using the straight-line method. Estimated useful lives are as follows:

Buildings	10-50 years
Improvements	10-50 years
Machinery and	
Equipment	5-20 years
Infrastructure	50 years

**GARLAND CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. The City pays 100% of these benefits to eligible employees upon termination or retirement. An estimate of the liability related to these benefits is accrued when incurred in government-wide financial statements and proprietary funds and reported as a liability. A liability for these amounts is reported in the governmental funds only if benefits have matured as a result of employee resignations and retirements.

J. Long-term liabilities

In the government-wide financial statements and proprietary fund statements, long-term debt is reported as a liability. Bond premiums and discounts, defeasance costs, (the difference between the carrying amount of the defeased debt and its reacquisition price in bond refundings), as well as issuance costs, are deferred and amortized over the life of the bonds.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

K. Net Assets/Fund Balances

The difference between assets and liabilities is "Net Assets" on the government-wide and proprietary fund financial statements and "Fund Balance" on the governmental fund financial statements. Net assets are divided into invested in capital assets (net of related debt), restricted, and unrestricted. Net assets are reported as restricted when constraints are placed upon them by external parties or are imposed by constitutional provisions or enabling legislation.

In the governmental fund financial statements, fund balances are classified as reserved, unreserved designated, or unreserved undesignated. Reserves represent those portions of fund balance not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

L. Property Taxes

Property taxes are attached as an enforceable lien on property as of January 1. Taxes are levied on June 22 for the next fiscal year beginning July 1 and are due November 30. City property tax revenues are not recognized when levied, because they are not expected to be collected within 60 days after the end of the current year. This policy meets the criteria of GASB.

GARLAND CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 2. RECEIVABLES

Receivables at June 30, 2006, consist of the following:

	<u>Taxes</u>	<u>Intergovernmental</u>	<u>Accounts</u>	<u>Total</u>
Governmental activities:				
Receivables	\$ 222,294	\$ 16,305	\$ 13,158	\$ 251,757
Bad debt reserve	-	-	(1,500)	(1,500)
Total receivables	<u>\$ 222,294</u>	<u>\$ 16,305</u>	<u>\$ 11,658</u>	<u>\$ 250,257</u>
Business-type activities:				
Water Fund	\$ -	\$ -	\$ 24,141	\$ 24,141
Sewer Fund	-	-	22,134	22,134
Total receivables	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 46,275</u>	<u>\$ 46,275</u>

NOTE 3. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2006, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land and easements	\$ 81,550	\$ -	\$ -	\$ 81,550
Total capital assets not being depreciated	<u>81,550</u>	<u>-</u>	<u>-</u>	<u>81,550</u>
Capital assets being depreciated:				
Buildings	27,000	61,403	-	88,403
Improvements	233,317	1,794	-	235,111
Infrastructure	33,222	4,318	-	37,540
Machinery and equipment	610,401	38,190	-	648,591
Total capital assets being depreciated	<u>903,940</u>	<u>105,705</u>	<u>-</u>	<u>1,009,645</u>
Less accumulated depreciation				
Buildings	(12,150)	(7,649)	-	(19,799)
Improvements	(47,693)	(1,961)	-	(49,654)
Infrastructure	(1,218)	(753)	-	(1,971)
Machinery and equipment	(259,837)	(62,840)	-	(322,677)
Total accumulated depreciation	<u>(320,898)</u>	<u>(73,203)</u>	<u>-</u>	<u>(394,101)</u>
Total capital assets being depreciated, net	<u>583,042</u>	<u>32,502</u>	<u>-</u>	<u>615,544</u>
Governmental activity capital assets, net	<u>\$ 664,592</u>	<u>\$ 32,502</u>	<u>\$ -</u>	<u>\$ 697,094</u>

GARLAND CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 3. CAPITAL ASSETS (Continued)

	Beginning Balance	Additions	Deletions	Ending Balance
Business-type activities:				
Capital assets being depreciated:				
Buildings	38,478	-	-	38,478
Improvements	3,205,781	53,177		3,258,958
Machinery and equipment	138,433	5,382	-	143,815
Total capital assets being depreciated	<u>3,382,692</u>	<u>58,559</u>	<u>-</u>	<u>3,441,251</u>
Less accumulated depreciation				
Buildings	(11,161)	(832)	-	(11,993)
Improvements	(2,475,734)	(67,767)	-	(2,543,501)
Machinery and equipment	(90,671)	(11,202)	-	(101,873)
Total accumulated depreciation	<u>(2,577,566)</u>	<u>(79,801)</u>	<u>-</u>	<u>(2,657,367)</u>
Total capital assets being depreciated, net	<u>805,126</u>	<u>(21,242)</u>	<u>-</u>	<u>783,884</u>
Business-type capital assets, net	<u>\$ 805,126</u>	<u>\$ (21,242)</u>	<u>\$ -</u>	<u>\$ 783,884</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 12,995
Public safety	36,735
Road and public works	16,993
Parks and cemetery	6,480
Total depreciation expense - governmental activities	<u>\$ 73,203</u>
Business-type activities:	
Water	\$ 51,026
Sewer	28,775
Total depreciation expense - business-type activities	<u>\$ 79,801</u>

GARLAND CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 4. RETIREMENT PLANS

Plan Description. The City contributes to the Local Governmental Noncontributory Retirement System cost-sharing multiple-employer defined benefit pension plan administered by the Utah Retirement Systems (Systems). Utah Retirement Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental Noncontributory Retirement System. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Funding Policy. In the Local Governmental Noncontributory Retirement System, the City is required to contribute 11.09% of their annual covered salary. In the Public Safety Retirement System noncontributory division Garland City is required to contribute 19.34% of their annual salary and 20.24% to the contributing division. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

The City contributions to the Noncontributory Retirement System for June 30, 2006, 2005, and 2004 were \$12,842, \$9,446, and \$8,183 respectively. Public Safety Retirement System the contributions for June 30, 2006, 2005 and 2004 were \$20,153, \$19,131 and \$15,699, respectively. The contributions were equal to the required contributions for each year.

The City also sponsors a 401(k) deferred compensation arrangement and a 457 plan, defined contribution plan, through the Utah State Retirement System for all eligible employees. The City contributed \$2,500 to these plans during the year ended June 30, 2006, and the employees contributed \$5,868.

GARLAND CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 5. LONG-TERM OBLIGATIONS

The City has the following long-term obligations at June 30, 2006:

Water revenue note payable to General Electric Credit, original amount \$400,000, to be repaid from the water utility fund. The note matures in 2020, with monthly installments of \$1,950 including interest at 5%.

Year	Principal	Interest	Total	Interest Rate
2007	11,671	11,729	23,400	5%
2008	12,266	11,134	23,400	5%
2009	12,892	10,508	23,400	5%
2010	13,550	9,850	23,400	5%
2011	14,241	9,159	23,400	5%
2012-2016	82,873	34,127	117,000	5%
2017-2021	93,017	10,874	103,891	5%
	<u>\$ 240,510</u>	<u>\$ 97,381</u>	<u>\$ 337,891</u>	

The City has an obligation for compensated absences that arises from the accrual of unused vacation and sick time provided for eligible employees.

Transactions affecting long-term obligations are as follows:

		Obligations for Compensated Absences		Total
Governmental activities				
Balance, July 1	\$	5,705	\$	5,705
Additions		9,945		9,945
Retirements		(7,186)		(7,186)
Balance, June 30	\$	8,464	\$	8,464
Due within 1 year		\$	-	-
		Note and Bonds		Total
		Payable		
Business-type				
Balance, July 1	\$	261,454	\$	261,454
Additions		-		-
Retirements		(20,944)		(20,944)
Balance, June 30	\$	240,510	\$	240,510
Due within 1 year		\$	11,671	11,671

**GARLAND CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006**

NOTE 6. SHORT-TERM DEBT

The City had no short-term debt during the year ended June 30, 2006.

NOTE 7. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

In the General Fund, roads and public works expenditures were in excess of budget by \$1,984.

There were no fund balance/net asset deficits at June 30, 2006.

NOTE 8. CASH AND INVESTMENTS

The City maintains a Deposit and Investment Pool that is available for use by all funds of the City.

Deposits

At June 30, 2006, the carrying amount of the City deposits was \$12,376 and the bank balance was \$59,516. Of the bank balance, \$59,516 was covered by federal depository insurance. Deposits are not collateralized nor are they required to be by state statute. However, the State Commissioner of Financial Institutions monitors financial institutions and establishes limits for deposit of public money at individual financial institutions, and the City follows these recommendations.

Investments

The City follows the requirements of the Utah Money Management Act (Utah Code Annotated 1953 Section 51, Chapter 7) in handling its depository and temporary investment transactions. This law requires the deposit of City funds in a "qualified depository". The act defined a "qualified depository" as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

GARLAND CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 8. CASH AND INVESTMENTS (Continued)

The City's investment types and balances at June 30, 2006, are noted below.

<u>Investment Type</u>	<u>Maturity</u>	<u>Rating</u>	<u>Fair Value</u>
Utah Public Treasurer's Investment	N/A	Not rated	<u>1,999,217</u>
Total investments			1,999,217
Deposits-cash in bank			12,376
Fiduciary funds - Justice Court			2,551
Total cash and investments			<u>\$ 2,014,144</u>
As reported in the financial statements:			
Cash and cash equivalents			\$ 1,599,012
Restricted cash and cash equivalents			412,581
Fiduciary funds			2,551
			<u>\$ 2,014,144</u>

The City does not have a formal investment policy. The City, however, invests the majority of the excess funds in the Utah Public Treasurer's Investment Fund (UPTIF). The UPTIF permits the City to withdraw funds one day after giving withdrawal notification.

The custodial risk for investments is the risk that in the event of default or failure of the counterparty, the City will not recover the value of its investment or collateral securities that are in the possession of an outside party. A portion of the City's certificates of deposit are uninsured and uncollateralized investments. The City has no formal policy dealing with custodial credit risk.

The Utah Public Treasurer's Investment Fund (UPTIF) is an external deposit and investment pool wherein governmental entities are able to pool the monies from several entities to improve investment efficiency and yield. These monies are invested primarily in money market securities and contain no withdrawal restrictions. As such, the monies invested in this fund are not insured and are subject to the same market risks as any similar investment in money market funds. The Fund investments must comply with the provisions of the Utah Money Management Act. The Fund is not SEC registered. The fair value of the City's position in the fund is the same as the value of fund shares.

NOTE 9. RECONCILIATION OF INTERFUND BALANCES

The following table provides a reconciliation of all interfund transfers:

Transfer to:		Transfer from:	
Capital Project Fund	\$ 109,384	General Fund	\$ 109,384
	<u>\$ 109,384</u>		<u>\$ 109,384</u>

The transfer from the General Fund to the Capital Project Fund was made to provide funding for construction of the park restrooms and other improvements.

SUPPLEMENTAL INFORMATION

GARLAND CITY CORPORATION
CAPITAL PROJECTS FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ -	\$ -	\$ -	\$ -
Investment earnings	16,512	16,512	32,956	16,444
Total revenues	16,512	16,512	32,956	16,444
EXPENDITURES				
Current:				
Highways and streets	106,775	106,775	66,710	40,065
Total expenditures	106,775	106,775	66,710	40,065
Excess of revenues over expenditures	(90,263)	(90,263)	(33,754)	56,509
OTHER FINANCING SOURCES (USES)				
Transfers in	11,300	29,817	109,384	(79,567)
Transfers out	-	-	-	-
Total other financing sources and uses	11,300	29,817	109,384	(79,567)
Net change in fund balances	(78,963)	(60,446)	75,630	136,076
Fund balances - beginning	818,691	818,691	818,691	-
Fund balances - ending	\$ 739,728	\$ 758,245	\$ 894,321	136,076

The notes to the financial statements are an integral part of this statement.

**GARLAND CITY CORPORATION
SCHEDULE OF IMPACT FEES
FOR THE YEAR ENDED JUNE 30, 2006**

The State of Utah requires the following information on impact fees to be reported in the supplemental data section of the financial statements.

The City has implemented the collection of impact fees on new development for parks, water distribution and treatment, sewer collection and treatment and storm drain. The fees are collected to expand the respective infrastructure as outlined in a properly approved capital facilities plan to handle new growth. If the City does not expend the impact fees within six years of collection, the fees must be rebated back to the property owners or the fees must be designated for a project by the City Council and spent within the designated time frame. As of June 30, 2006, the impact fee activity is as follows:

<u>Impact Fee</u>	<u>Balance, June 30, 2005</u>	<u>Additions</u>	<u>Expenditures</u>	<u>Balance, June 30, 2006</u>
Parks	\$ 8,295	\$ 10,096	\$ -	\$ 18,391
Water	6,628	9,102	-	15,730
Sewer	1,284	15,963	-	17,247
Storm drain	4,034	3,915	-	7,949
	<u>\$ 20,241</u>	<u>\$ 39,076</u>	<u>\$ -</u>	<u>\$ 59,317</u>

Parks:

The City collected impact fees for new park development. The City is currently exploring options on building new parks in Phase VI of Kirkland Estates or in another subdivision that borders up against the Malad River. No funds were spent in fiscal year 2006.

Water:

The City collects water impact fees for improvements to the culinary water system. The City is exploring options for where to spend these impact fees. The City plans to use impact fee revenues to install water at the new football field that was donated by private landowners to the Bear River Valley Football League. No funds were spent in 2006. There is an existing system fee charged that goes back into the water fund. Those fees are not included above.

Sewer:

The City collects sewer impact fees for improvements to the sewer collection and transport. The City is exploring their options for expending these fees. No funds were spent in 2006. The City collects other sewer impact fees of \$1,128 per unit that are remitted to Tremonton City for sewer treatment. Those fees are not included above. There is also an existing system fee charged that is returned to the sewer fund. Those fees are not included above.

Storm Drain:

The City collects impact fees for improvements to the storm drainage system. The City is exploring options on spending these funds. No funds were spent in 2006.

GARLAND CITY CORPORATION
MANAGEMENT REPORT
FOR THE YEAR ENDED JUNE 30, 2006

**GARLAND CITY CORPORATION
MANAGEMENT REPORT
FOR THE YEAR ENDED JUNE 30, 2006**

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

**To the Mayor and Members of the City Council
Garland City Corporation**

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of Garland City Corporation as of and for the year ended June 30, 2006, which collectively comprise Garland City Corporation's basic financial statements and have issued our report thereon dated December 14, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Garland City Corporation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management in the accompanying Schedule of Findings, Recommendations and Responses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Garland City Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement accounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management in the accompanying Schedule of Findings, Recommendations and Responses.

This report is intended solely for the information and use of Garland City Corporation and is not intended to be and should not be used by anyone other than these specified parties.

Wiggins & Co., PC

Brigham City, Utah 84302
December 14, 2006

**INDEPENDENT AUDITORS' REPORT ON
STATE OF UTAH LEGAL COMPLIANCE**

**To the Mayor and Members of the City Council
Garland City Corporation**

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of Garland City Corporation as of and for the year ended June 30, 2006, which collectively comprise Garland City Corporation's basic financial statements and have issued our report thereon dated December 14, 2006. As part of our audit, we have audited Garland City Corporation's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2006. The City received the following major State assistance programs from the State of Utah:

B & C Road Funds (Department of Transportation)

The City also received the following nonmajor grants which are not required to be audited for specific compliance requirements: (However, these programs were subject to testwork as part of the audit of the Garland City Corporation's financial statements.)

**Emergency Services Grant (State of Utah)
Fire Grant (State of Utah)
Library Grant (State of Utah Library Board)**

Our audit also included testwork on the City's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

Public Debt	Liquor Law Enforcement
Cash Management	Justice Courts Compliance
Purchasing Requirements	B & C Road Funds
Budgetary Compliance	Uniform Building Code Standards
Truth in Taxation & Property Tax Limitations	Other General Issues

The management of Garland City Corporation is responsible for the City's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which we have reported to the management of Garland City Corporation in the Schedule of Findings, Recommendations and Responses for the year ended June 30, 2006. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, Garland City Corporation, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching; level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2006.

Wiggins & Co., PC

Brigham City, Utah
December 14, 2006

**GARLAND CITY CORPORATION
FINDINGS, RECOMMENDATIONS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2006**

STATE LEGAL COMPLIANCE FINDINGS

1. BUDGETARY COMPLIANCE

Finding:

Utah Code 10-6 states that no department/fund may exceed the amounts appropriated in the final adopted budget. During the audit, we noted that the roads and public works in the General Fund were in excess of budget.

Recommendation:

We recommend that the City monitor the expenditures to ensure that they do not exceed budget.

Response:

See attached letter for responses.

2. TRUTH IN TAXATION

Finding:

While reading the minutes, we noted that the certified tax rate was not formally adopted in a City Council meeting as required by Utah State Statute.

Recommendation:

We recommend that the City officially adopt the certified tax rate in their City Council meetings to comply with Utah statutes.

Response:

See attached letter for responses.

**GARLAND CITY CORPORATION
FINDINGS, RECOMMENDATIONS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2006**

OTHER FINDINGS

3. BANK STATEMENTS AND RECONCILIATIONS

Finding:

While reviewing the bank reconciliations, we noted that no one other than the preparer reviewed the statements or reconciliations. This is due to limited staff in the City offices.

Recommendation:

We recommend that the City continue to be mailed bank statements with copies of the canceled checks. These should be reviewed along with the bank reconciliation and other journal entries prepared by the Recorder by another responsible person.

Response:

See attached letter for responses.

4. FORMAL POLICIES

Finding:

In several audit areas, (for example, fixed assets or employee leave), we noted that the City has not adopted formal policies. There is a collection of policies currently being studied by the City Council.

Recommendation:

We recommend that the City Council work diligently to adopt formal policies to provide guidance to the employees for the day to day operations.

Response:

See attached letter for responses.

**GARLAND CITY CORPORATION
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2006**

OTHER FINDINGS

1. SEGREGATION OF DUTIES

Finding:

Garland City has insufficient segregation of duties due to the small size of the entity.

Recommendation:

We recommend the City look at the cost versus the benefit of improving the segregation of duties.

Status:

The City continues to work on this finding.

2. CAPITALIZATION POLICY

Finding:

Currently, the City does not have an adopted policy on capitalization. It is left to judgment on what is capitalized.

Recommendation:

We recommend that with the codification of their laws, the City also adopt a formal capitalization policy.

Status:

Not implemented. See current year findings.

GARLAND CITY
MUNICIPAL CORPORATION
72 North Main • P.O. Box 129
Garland, Utah 84312
(435) 257-3118 • FAX (435) 257-3143

The following are Garland City Corporation responses to Wiggins and Co. audit findings and recommendations for the year ended June 30, 2006.

STATE LEGAL COMPLIANCE FINDINGS

1. BUDGETARY COMPLIANCE

Finding:

Utah Code 10-6 states that no department/fund may exceed the amounts appropriated in the final adopted budget. During the audit, we noted that the roads and public works in the General Fund were in excess of budget.

Recommendation:

We recommend that the City monitor the expenditures to ensure that they do not exceed budget.

Response:

Garland City will take the action necessary to ensure all budgets are monitored to ensure they are in compliance with the final adopted budget.

2. TRUTH IN TAXATION

Finding:

While reading the minutes, we noted that the certified tax rate was not formally adopted in a City Council meeting as required by Utah State Statute.

Recommendation:

We recommend that the City officially adopt the certified tax rate in the City Council meetings to comply with Utah statutes.

Response:

Garland city will take the action necessary to ensure that future certified tax rates are adopted as required in a City Council meeting.

3. BANK STATEMENTS AND RECONCILIATION'S

Finding:

While reviewing the bank reconciliation's, we noted that no one other than the preparer reviewed the statements or reconciliation. This is due to limited staff in the city offices.

Recommendation:

We recommend that the city continue to be mailed bank statements with copies of the canceled checks. These should be reviewed along with the bank reconciliation and other journal entries prepared by the Recorder by another responsible person.

Response:

Garland City will ensure that bank statements are reviewed by another responsible person within the city organization.

4. FORMAL POLICY

Finding:

In several audit areas, (for example, fixed assets or employee leave), we noted that the City has not adopted formal policies. There is a collection of policies currently being studied by the City Council.

Recommendation:

We recommend that the City Council work diligently to adopt formal policies to provide guidance to the employees for the day-to-day operations.

Response:

Garland City has been working on compiling formal policies for the Cities operation. These will be adopted during the upcoming year.

OTHER FINDINGS

1. SEGREGATION OF DUTIES

Finding:

Garland city has insufficient segregation of duties due to the small size of the entity.

Recommendation:

We recommend the city look at the cost versus the benefit of improving the segregation of duties.

Current Status:

The City continues to work on their finding

Response:

Garland City is continuing to evaluate the best methods to provide the desired separation of duties. The City plans to have this completed and implemented during this year.

2. CAPITALIZATION POLICY

Finding:

Currently, the City does not have an adopted policy on capitalization. It is left to judgment on what is capitalized.

Recommendation:

We recommend that with the codification of their laws, the City also adopt a formal capitalization policy.

Current Status:

Not implemented. See current year findings.

Response:

Garland City will ensure that this deficiency is addressed this year with the adoption of a policy defining what should be capitalized within the City.

A handwritten signature in black ink, appearing to read "Richard W. Owen", written over a horizontal line.

Richard W Owen, Mayor

Garland City
Municipal Corporation
72 North Main - P.O. Box 129
Garland, UT 84312
(435)257-3118

July 11, 2007

STATE OF UTAH
Office of the State Auditor
Attn Richard Moon
P.O. Box 142310
Salt Lake City UT 84114-2310

Dear Sir:

This letter is in regards to your letter of March 12, 2007, requesting a corrective action plan from Garland City on budget compliance.

The public safety budgets were the main cause of the overage. There were unexpected expenses that hadn't been planned towards the end of the fiscal year. The new police car that was purchased was expensed in the Capital Projects Fund and when the audit was done the auditors moved it to the General Fund. I was not aware that equipment should be expensed in the General Fund in the department that the expense was made. This expense made the General Fund over budget.

The city council is aware of and responsible for the corrective actions being taken. The budgets are being monitored more closely and expenditures are being watched.

If you have any questions or require any further information, please contact the Garland City Recorder, Sharlet Anderson, at the city office.

Sincerely,



Sharlet Anderson,
Garland City Recorder